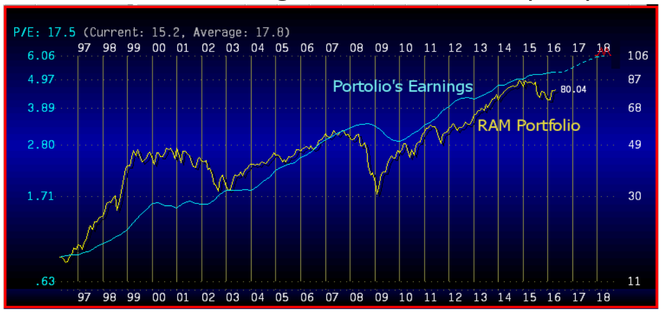
PRUDENT GROWTH INSIGHTS

May 2016 **Bullish on RAM! But bearish on the market?**

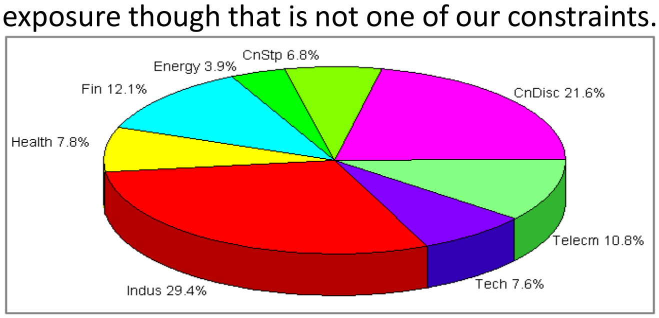
The chart below depicts how RAM's current holdings would look if we held them during the past 20 years. Don't confuse this chart with RAM's performance over the same period as our stock positions, and our stock vs cash allocation, changed over time during those twenty years.



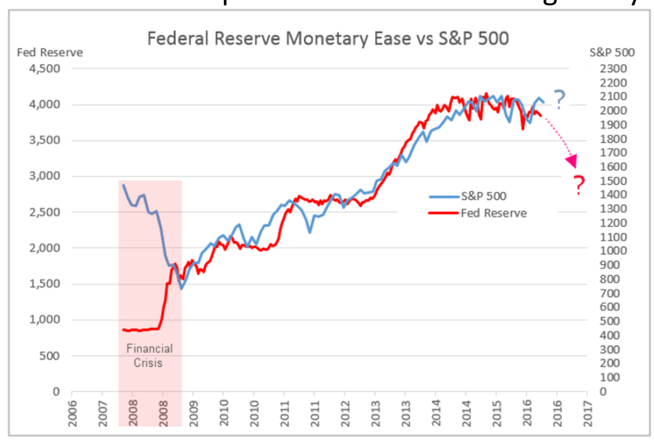
As one can see, the earnings (blue line) of the companies within RAM's current portfolio have climbed steadily through the business cycles. Also, as is the nature of the stock market, at times the portfolio's price (yellow line) has traded above and below the earnings line representing over and undervaluation. Obviously we would like to buy opportunistically when the yellow line is below the blue line, which is where it trades today. Currently the portfolio would have to rally about 15% just to get it back to the blue earnings line representing historical fair value.

These stocks have been selected by RAM after screening hundreds of stocks that meet RAM's criteria of possessing a long history of stable and superior return-on-equity generated from their business plan as executed by management. This compares with the total universe of thousands of publically traded stocks that do not.

Fortunately RAM's portfolio has a diverse industry exposure though that is not one of our constraints.



That said, it does not always follow that the market will accommodate our portfolio and rally to what we believe is fair value. What could derail, in the short term, realizing these gains? For one, the market recovery from the 2008 financial crisis has been fueled, in part, by the Federal Reserve's printing of money, $4 trillion to be exact. The chart below shows how this increase in Fed reserves has impacted the stock market's appreciation since 2009. One could argue that a change of policy by the Fed could impact the stock market negatively.



In fact, the Fed has long ago stopped printing money (the red line) and, with the economy showing signs of life, begun a discussion of returning interest rates to more normal levels. In fact the above chart already shows the Fed has recently drained, modestly, reserves. Given talks of interest rate hikes and the correlation of reserve balances to the stock market (the blue line), there may be risk for stock portfolios if and when the Fed starts to unwind what it has put in place during the past seven years.

To manage this risk, and others we have identified in the past, RAM has a substantial allocation to cash that will be put to work in RAM names at opportunistic stock valuations when they become available.